



Cincinnati Bell Inc.

1975 Annual Report

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Std Corp. File

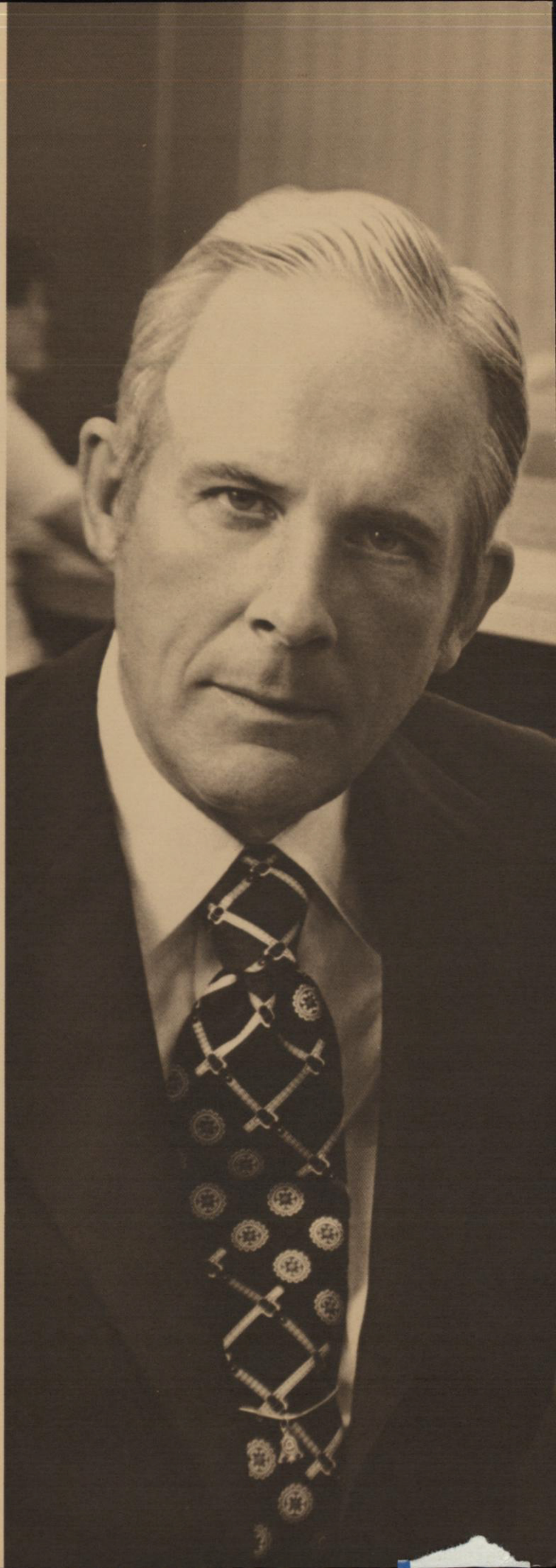
The Annual Meeting of the Share Owners will be held at 12 Noon on Monday, April 19, 1976 at our new 229 West Seventh Street Building Cincinnati, Ohio 45202



The cover features our new principal switching center which opened in July and will be the location of the 1976 Annual Meeting.

Inquiries concerning the Automatic Dividend Reinvestment Plan, and requests for Cincinnati Bell's annual report to the Securities and Exchange Commission, Form 10-K, should be directed to R. H. Allen, Secretary, Cincinnati Bell Inc., 225 East Fourth Street, Cincinnati, Ohio 45202.

President Dugan at a console of the Traffic Service Position System which processes long distance and other operator-handled calls for nearly all our customers.



annual report to share owners

In terms of service quality and earnings 1975 was one of our best years. Cincinnati Bell customer service remained generally excellent and in some areas was improved. The \$2.76 earnings per common share result was the second highest level in our 102-year history, even though it represented a decline of 32 cents from 1974's record level.

Inflationary pressure caused 1975 expenses to grow at a more rapid rate than revenues, despite effective marketing programs and good productivity gains. To counteract this squeeze on earnings we have applied for regulatory approval to increase prices. Your management continues its dedication

to achieving service quality which meets customer expectations and earnings which meet investor expectations.

In the following pages you will find information on 1975 performance, construction projects, repricing plans, financing and employees.

The year 1976 promises continuing inflation and pressure on earnings. We anticipate growth in demand for our services and increased revenues. Strong expense control efforts will be continued to blunt rising costs. Service quality will be maintained, but timing of an earnings upturn will depend on repricing.

R. T. Dugan
R. T. Dugan

January 30, 1976



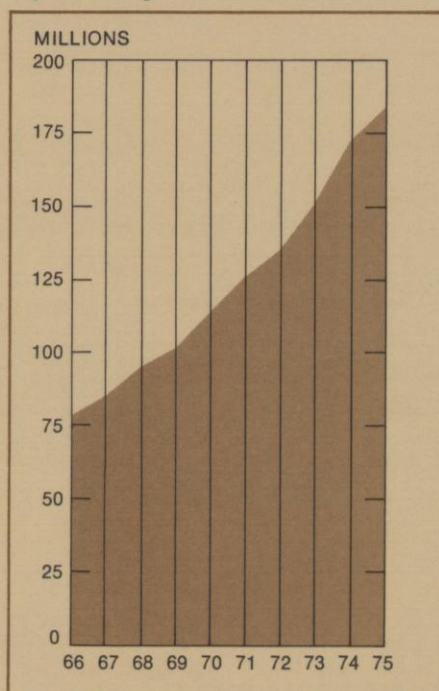
highlights

LINE OF BUSINESS

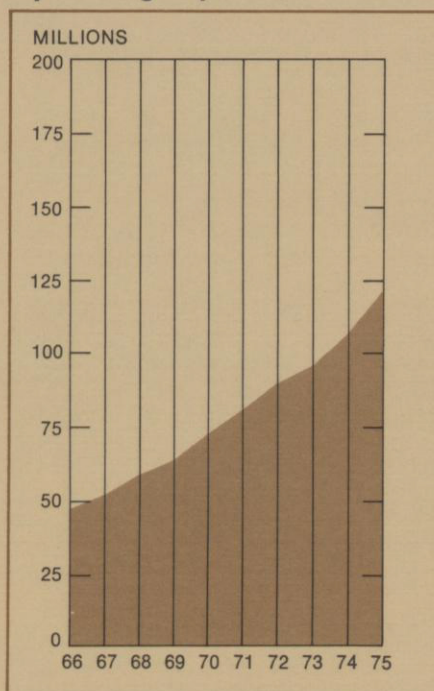
Cincinnati Bell is engaged in the business of furnishing communications services, mainly local and toll telephone services, in parts of Ohio, Kentucky and Indiana.

	1975	1974
Operating Revenues	\$184,109,000	\$174,753,000
Operating Expenses	\$118,628,000	\$106,310,000
Operating Taxes	\$ 33,745,000	\$ 34,756,000
Interest Deductions	\$ 11,890,000	\$ 12,413,000
Income Applicable to Common Shares .	\$ 19,349,000	\$ 21,568,000
Earnings Per Common Share	\$2.76	\$3.08
Dividends Declared Per Common Share	\$1.60	\$1.495
Number of Common Share Owners . . .	18,759	19,024
Telephones in Service	1,034,508	1,003,247
Long Distance Messages	48,141,000	46,489,000
Construction Expenditures	\$ 55,092,000	\$ 68,108,000

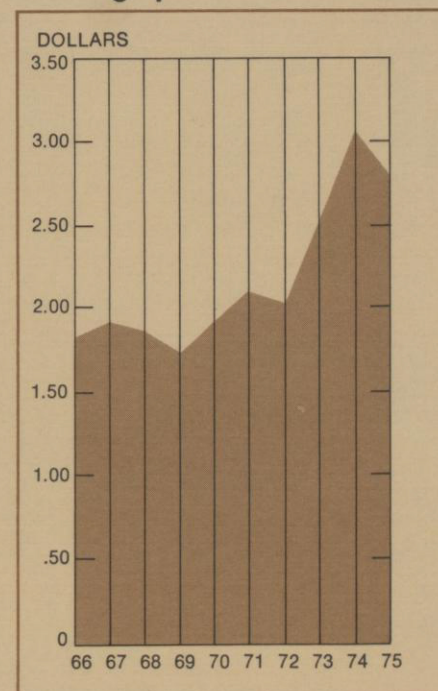
Operating revenues



Operating expenses



Earnings per common share



1975 performance

Cincinnati Bell earnings per common share were \$2.76 in 1975, 32 cents less than the \$3.08 recorded in 1974, but still the second highest level in Company history. The year 1974 was the first full year with rate increases granted in August 1973 in Ohio and January 1974 in Kentucky.

Operating revenues for 1975 were \$184.1 million, up \$9.4 million or 5.4 percent over 1974. Operating expenses were \$118.6 million, up \$12.3 million or 11.6 percent and operating taxes were \$33.7 million or 2.9 percent less than the prior year.

Every customer service indicator exceeded industry standards. The goal of all Bell companies is no service measurement below an acceptable level, or "Zero Weakspots," by March 10, 1976, the 100th anniversary of the telephone. Cincinnati Bell had no weakspots in any month of 1975.

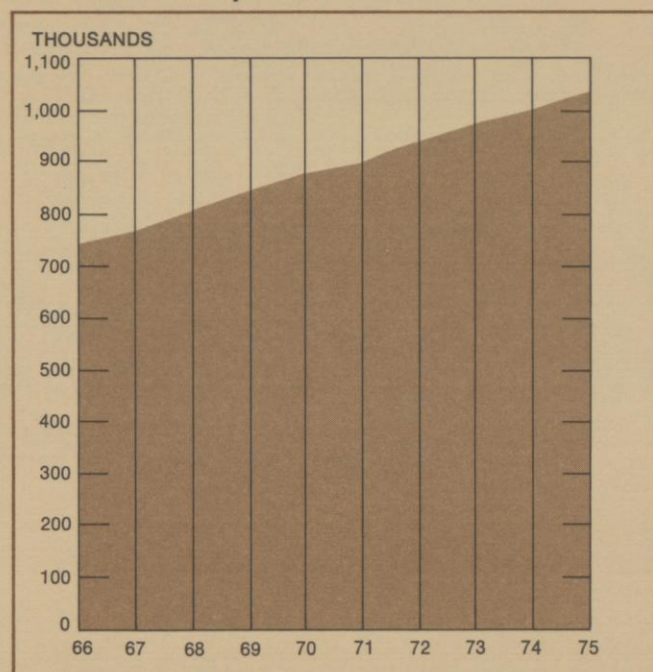
The number of telephones in service increased 31,261 to 1,034,508, up 3.1 percent over last year. About 48.1 million originating long distance messages were handled, up 3.6 percent over 1974, and about 2.0 billion local calls were processed, a 3.7 percent increase over last year.

Ease of customer access to our business offices was improved by establishing direct inward telephone dialing. By eliminating such calls from our manual switchboard, customers are connected immediately to service representatives with the appropriate service record information.

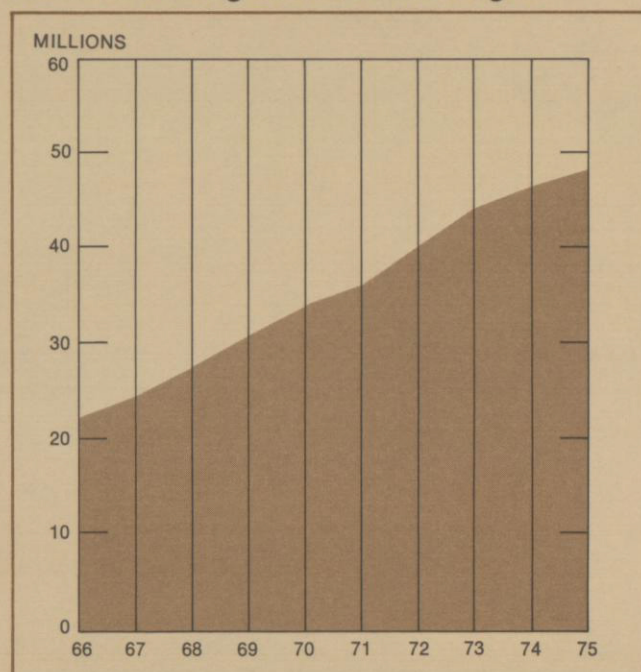
An energy conservation program initiated in 1973 resulted in 25 awards being presented to the Company by the Federal Energy Commission. To date no other company of any kind in the country has earned more than one. Each award was for a Cincinnati Bell building achieving at least a 30 percent reduction in energy consumption. Energy cost savings totaled \$641,000 for the two-year period 1974-75, with continued savings expected in 1976.

Modular Set Installation, another cost-saving measure, was first introduced in mid-1974, with full conversion completed in the spring of 1975. Modular telephone sets have plug-ended cords that can be easily connected or removed at the base of the set or at the connection on the wall. Modularity saves installation and repair time, permits reduced inventories, simplifies maintenance, and makes

Number of telephones



Number of long distance messages





possible PhoneCenter operations where customers can come in, pick out telephones, take them home and plug them in.

By spring in 1975 the last 8-party service was eliminated. About 90 percent of Cincinnati Bell customers now have single party service. The remaining 10 percent have 2-party service.

The format and method of distributing white page telephone directories to residence customers were changed in 1975, resulting in savings of more than \$400,000 with minimal impact on customers. A new typesetting process makes it possible to print five columns per page instead of four, thus saving 200 directory pages. In addition, only one white page directory was delivered to each customer household regardless of the number of telephones in the household. Additional copies were available upon request, but only about 5 percent of our customers needed extra directories.

Service improvement and cost reduction efforts were complemented by several effective marketing programs in 1975, conducted by the Marketing Department, installation and repair forces and business office personnel. Efforts were aimed principally at the residence market. These programs featured equipment and services which would utilize existing equipment capacities. Included were Touch-Tone® , Trimline® , and Design Line* telephones and Custom Calling Service. In the business market, special emphasis was placed on promoting Wide Area Telecommunications Service (WATS). The residence campaign alone brought in \$760,000 in additional annual revenues.

In October 1975 we introduced a new form of customer bill which is personalized to each individual account. The bill itemizes details of local and long distance charges, and shows discount effects of off-peak calling.

**Trademark*

Installer Repairman Billy Crowder makes the cable connection converting the last 8-party service to individual line service.

construction projects

Capital expenditures for growth, modernization and replacement projects amounted to \$55.1 million in 1975. The largest single investment was toward the completion of the \$28 million switching center building featured on the cover of this report. When all equipment planned for the building is installed in the years ahead, combined investment for Cincinnati Bell and the AT&T Long Lines Department will exceed \$150 million.

Two new switching centers were opened during the year. The Cherry Grove central office began serving 4,300 telephone lines in June — total cost

\$2.5 million. The Miami central office cost \$.6 million, and has been serving 1,300 telephone lines since May.

The installation of two Electronic Switching System (ESS) units during the year brought our total to 11, and maintained Cincinnati Bell's position as an industry leader in percentage of customers served by ESS. Units in the Price Hill and West Chester central offices replaced electromechanical machines.

A small park beautifies the entrance to our new 229 West Seventh Street Building (see cover) located where the new building adjoins the existing toll and local switching center.



repricing services

On November 17, 1975 we filed price increase applications with The Public Utilities Commission of Ohio and The Public Service Commission of Kentucky. The increases we proposed would produce additional annual revenues of \$35.1 million in Ohio and \$6.3 million in Kentucky, for a total of \$41.4 million. About half that amount would go for state and federal taxes.

Included in the applications is a request to raise the price of a coin telephone call from 10 cents to 20 cents. It would be our first increase in coin rates in 22 years. Over the same period, the cost of a coin telephone set and the wages of coin telephone servicemen have more than tripled.

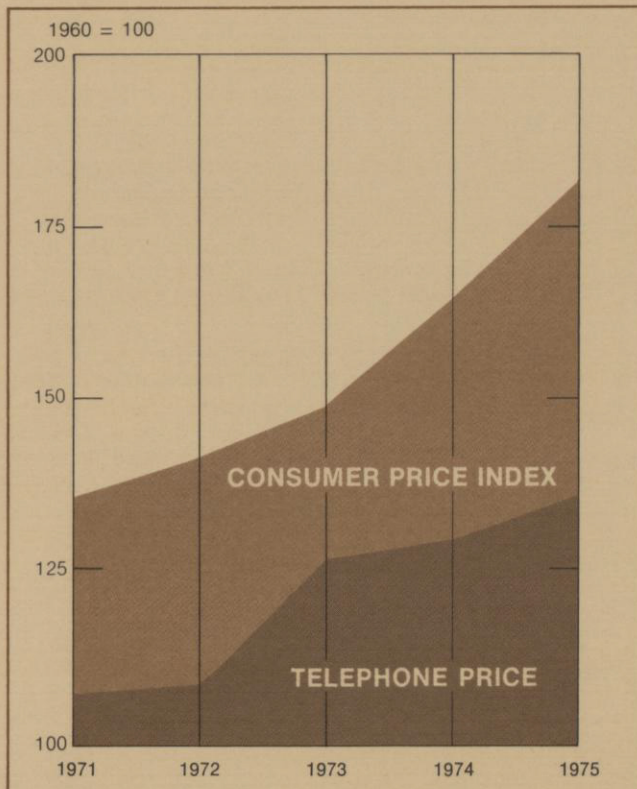
The method of charging for installation would also change. Instead of a flat charge based on average

costs, the proposed charge would reflect the actual work done in each case. Charges for order handling and processing, for central office connection, for telephone instrument connection, and for additional house wiring would apply separately for each work operation that has to be performed.

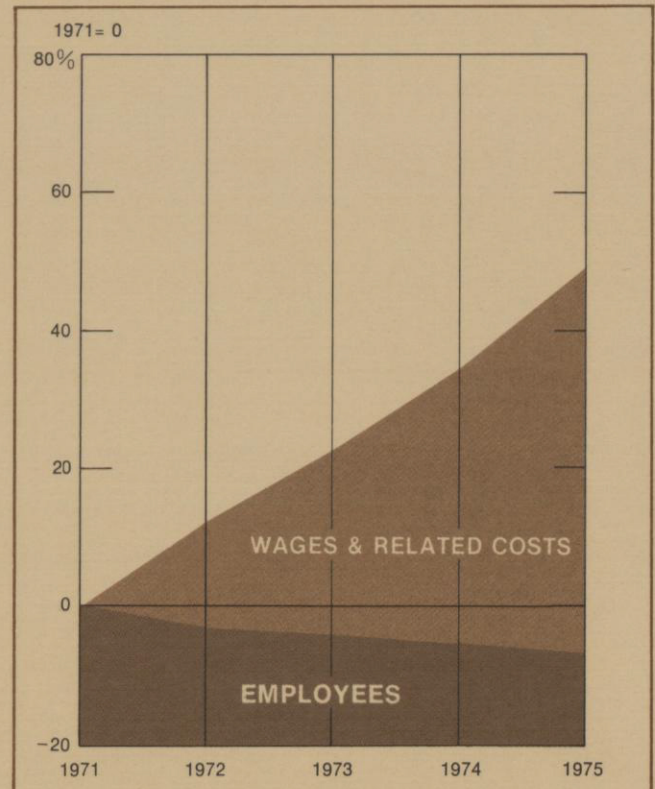
The Company is also seeking permission to test the concept of Measured Rate Service, which allows moderate users to pay less than heavy users. The number of calls, their duration, the distance involved and the time of day would determine the amount charged.

In Kentucky we also requested approval of a Directory Assistance charging plan like the one in effect for Ohio customers since March 1974.

Cincinnati-C.P.I. and telephone price



Percent change—employees and wages



financing

Cincinnati Bell sold \$40 million of 40-year debentures in September at an interest cost to the Company of 9.69 percent. The previous debenture issue was in 1971, at an interest cost of 7.51 percent.

Since the proceeds of the sale repaid interim loans, the ratio of debt to total capital was not changed. The debt ratio at year end was about 45 percent. Eight percent of total capital is preferred

stock, and 47 percent is common stock equity.

Of the total capital expenditures of \$55.1 million in 1975, approximately 74 percent was generated internally, and 26 percent raised externally. We expect that about \$58.5 million in capital expenditures will be required for construction programs in 1976.

employees

The 1974 wage contract covering Cincinnati Bell employees provided for three annual wage adjustments. The second became effective in August 1975, and represented an increase of nearly 11 percent in total labor costs. Further increase in employee compensation will become effective in 1976 under the same agreement.

Our employees continue to be the Company's greatest asset. We want to select them well, train

and motivate them well, encourage their initiative and compensate them fairly.

In 1975 we met practically all goals and timetables in our approved Affirmative Action Program, and we shall maintain efforts to attain an appropriate mix of minorities and women in the various job classifications. We are turning similar attention to employing handicapped applicants.



The wide variety of telephone aids for the handicapped is displayed here for a staff member of the Cincinnati Speech and Hearing Center by John Allen, Supervisor, Service Division Staff. Included is the Code-Com set which converts sound into sight signals by a flashing light for a deaf person, and into touch signals by vibrations on a disc for the blind or deaf and blind person.

financial section

FIVE YEAR REVIEW

Dollars in Thousands Except Amounts Per Share

	1975	1974	1973	1972	1971
Revenues					
Local Service	\$118,548	\$114,440	\$ 98,594	\$ 87,965	\$ 83,862
Toll Service	61,770	56,880	49,883	44,608	39,894
Other	5,769	4,848	3,950	3,883	3,813
	<u>186,087</u>	<u>176,168</u>	<u>152,427</u>	<u>136,456</u>	<u>127,569</u>
Expenses					
Operating	118,628	106,310	95,292	88,926	81,516
Federal Income Taxes	14,695	16,478	12,006	10,011	10,805
Other Taxes	19,050	18,278	16,108	13,765	12,701
Interest	11,890	12,413	11,345	9,646	7,958
	<u>164,263</u>	<u>153,479</u>	<u>134,751</u>	<u>122,348</u>	<u>112,980</u>
Net Income	21,824	22,689	17,676	14,108	14,589
Preferred Dividend Requirements	<u>2,475</u>	<u>1,121</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income Applicable to Common Shares ...	<u>\$ 19,349</u>	<u>\$ 21,568</u>	<u>\$ 17,676</u>	<u>\$ 14,108</u>	<u>\$ 14,589</u>
Earnings per Common Share	<u>\$2.76</u>	<u>\$3.08</u>	<u>\$2.52</u>	<u>\$2.02</u>	<u>\$2.10</u>
Average Common Shares Outstanding ...	7,013,096	7,013,096	7,013,096	6,977,774	6,939,894
Dividends Declared per Common Share ...	\$1.60	\$1.495	\$1.34	\$1.30	\$1.275
Taxes per Common Share	\$4.81	\$4.96	\$4.01	\$3.41	\$3.39
Debt in Total Capital*	45.4%	44.3%	51.3%	50.6%	48.2%
Common Share Owners*	18,759	19,024	18,934	19,589	18,496
Employees*	5,134	5,188	5,274	5,335	5,494
Payroll and Related Costs	\$ 92,850	\$ 83,644	\$ 76,168	\$ 69,380	\$ 62,367
Telephones*	1,034,508	1,003,247	974,462	934,249	896,418
Business	270,187	265,264	259,834	250,565	241,697
Residence — Main	467,995	459,340	450,438	437,739	425,679
— Extension	296,326	278,643	264,190	245,945	229,042
— % One-Party	90.5	89.2	87.8	86.2	84.2
Long Distance Messages	48,141,000	46,489,000	44,394,000	40,018,000	35,799,000
Construction Expenditures	\$ 55,092	\$ 68,108	\$ 52,752	\$ 48,703	\$ 46,613
Plant Investment*	565,624	528,346	478,443	440,051	404,227

*At Year End.

TRANSFER AGENT
Cincinnati Bell Inc.
225 East Fourth Street
Cincinnati, Ohio 45202

REGISTRAR
The Central Trust Company
Fourth and Vine Streets
Cincinnati, Ohio 45202

CO-TRANSFER AGENT AND
CO-REGISTRAR
Morgan Guaranty Trust
Company of New York
30 West Broadway
New York, New York 10015

MANAGEMENT ANALYSIS OF FIVE YEAR REVIEW

CINCINNATI BELL INC.

Revenues for 1975 were \$186,087,000, an increase of \$58,518,000, or 45.9% over 1971. This increase was due principally to intrastate rate increases granted in August 1973 and January 1974. In addition, revenues have increased as a result of increases in telephones in service, long distance calling volumes and sales of directory advertising.

Operating expenses rose from \$81,516,000 in 1971 to \$118,628,000 in 1975, an increase of \$37,112,000, or 45.5%. This increase was due principally to wage increases, including higher cost of living adjustments in recent years, and increases in costs of materials, supplies and services.

Federal income taxes have increased \$3,890,000, or 36.0% over the five year period as taxable income has risen.

Other taxes have increased from several sources. Local and state property taxes have increased from \$7,753,000 in 1971 to \$10,388,000 in 1975 as plant in service has increased. Gross receipts taxes for the same period increased from \$3,097,000 to \$5,347,000 as revenues have increased. Social security taxes have increased because of higher statutory rates and expanded taxable wage bases.

Interest expenses have increased from \$7,958,000 in 1971 to \$11,890,000 in 1975 reflecting the cost and amount of debt capital obtained by the Company to finance its construction program.

MARKET AND DIVIDEND INFORMATION

The principal market where Cincinnati Bell voting securities, namely, common shares, are traded is the New York Stock Exchange. The high and low sales prices and dividends paid on these securities for each quarterly period during the most recent two fiscal years were:

1974	Quarter	1st	2nd	3rd	4th
	High	23¼	21⅞	18⅞	20¼
	Low	19⅞	17¾	15¼	15¾
	Dividend paid	36½¢	36½¢	36½¢	36½¢
1975	Quarter	1st	2nd	3rd	4th
	High	21⅞	21⅞	21	19⅞
	Low	18¾	19⅞	19	19¾
	Dividend paid	40¢	40¢	40¢	40¢

Report of Independent
Certified Public Accountants

TO THE SHARE OWNERS OF
CINCINNATI BELL INC.

We have examined the balance sheet of Cincinnati Bell Inc. as of December 31, 1975, and the related statements of income and reinvested earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company for the year 1974.

In our opinion, the financial statements (pages 12 through 18) present fairly the financial position of Cincinnati Bell Inc. at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

3800 Carew Tower
Cincinnati, Ohio
January 30, 1976

balance sheets

ASSETS

	Thousands of Dollars	
	December 31, 1975	December 31, 1974
TELEPHONE PLANT — at cost		
In service.....	\$558,215	\$491,011
Under construction	7,271	37,050
Held for future use.....	138	285
	<u>565,624</u>	<u>528,346</u>
Less: Accumulated depreciation.....	125,265	117,937
	<u>440,359</u>	<u>410,409</u>
INVESTMENTS — at cost.....	964	912
	<u>441,323</u>	<u>411,321</u>
CURRENT ASSETS		
Cash	1,015	1,042
Receivables — less allowance for uncollectibles:		
1975, \$153,000; 1974, \$140,000	23,426	21,973
Material and supplies	3,350	2,862
Prepaid expenses	372	476
	<u>28,163</u>	<u>26,353</u>
DEFERRED CHARGES	2,465	2,323
	<u>2,465</u>	<u>2,323</u>
TOTAL ASSETS	<u>\$471,951</u>	<u>\$439,997</u>

The notes on pages 17 and 18 are an integral part of the financial statements.

CINCINNATI BELL INC.

LIABILITIES AND CAPITAL

	Thousands of Dollars	
	December 31, 1975	December 31, 1974
EQUITY		
Preferred shares — at stated value (note b)	\$ 30,000	\$ 30,000
Authorized 1,000,000 shares; Outstanding 30,000 shares.		
Common shares — par value \$12.50 per share	87,664	87,664
Authorized 10,000,000 shares; Outstanding 7,013,096 shares.		
Proceeds in excess of par value on common shares	7,305	7,305
Reinvested earnings — see page 15	86,696	78,567
	<u>211,665</u>	<u>203,536</u>
 LONG TERM DEBT (note d)	 172,199	 132,318
CURRENT LIABILITIES		
Accounts payable	12,336	15,608
Taxes accrued	11,078	12,244
Advance billing and customers' deposits	5,064	4,729
Interest accrued	3,944	3,233
Dividends payable	3,424	3,424
	<u>35,846</u>	<u>39,238</u>
Debt maturing within one year (note e)	3,900	29,700
	<u>39,746</u>	<u>68,938</u>
DEFERRED CREDITS		
Accumulated deferred income taxes	36,418	27,303
Unamortized investment tax credits	11,496	7,850
Other	427	52
	<u>48,341</u>	<u>35,205</u>
 LEASE COMMITMENTS (note f)		
 TOTAL LIABILITIES AND CAPITAL	 <u>\$471,951</u>	 <u>\$439,997</u>

statements of income and reinvested earnings

	Thousands of Dollars	
	Year 1975	Year 1974
OPERATING REVENUES		
Local service	\$118,548	\$114,440
Toll service	61,770	56,880
Directory advertising and other	4,711	4,323
Less: Provision for uncollectibles	920	890
Total Operating Revenues	<u>184,109</u>	<u>174,753</u>
OPERATING EXPENSES		
Maintenance	36,834	34,219
Depreciation	25,984	23,953
Traffic	10,858	10,594
Principally wages of telephone operators.		
Commercial	7,582	6,620
Primarily costs of local business office operations.		
Marketing	6,013	5,226
Accounting	7,860	6,744
Provision for pensions and other employee benefits (note c)	16,507	12,840
Services received under license contract	2,533	1,795
Other operating expenses	4,457	4,319
Total Operating Expenses	<u>118,628</u>	<u>106,310</u>
Net Operating Revenues	<u>65,481</u>	<u>68,443</u>
OPERATING TAXES		
Federal income (note a)		
Current	1,849	7,489
Deferred	8,842	7,941
Investment tax credits — net	4,004	1,048
Property, gross receipts, payroll-related and other taxes	<u>19,050</u>	<u>18,278</u>
Total Operating Taxes	<u>33,745</u>	<u>34,756</u>
Operating Income (carried forward)	\$ 31,736	\$ 33,687

The notes on pages 17 and 18 are an integral part of the financial statements.

CINCINNATI BELL INC.

	Thousands of Dollars	
	Year 1975	Year 1974
Operating Income (brought forward)	\$ 31,736	\$ 33,687
OTHER INCOME		
Interest charged construction (note a)	2,198	1,944
Miscellaneous income and deductions—net	(220)	(529)
Income Before Interest Deductions	33,714	35,102
INTEREST DEDUCTIONS	11,890	12,413
NET INCOME	21,824	22,689
Preferred dividend requirements	2,475	1,121
INCOME APPLICABLE TO COMMON SHARES	<u>\$ 19,349</u>	<u>\$ 21,568</u>
EARNINGS PER COMMON SHARE (after preferred dividend requirements)	<u>\$2.76</u>	<u>\$3.08</u>
Based on 7,013,096 average shares outstanding.		
REINVESTED EARNINGS		
At beginning of year	\$ 78,567	\$ 67,743
Add—Net income	21,824	22,689
Deduct—Dividends declared:		
Preferred—1975, \$82.50 per share;	2,475	1,121
1974, \$37.355 per share		
Common—1975, \$1.60 per share;	11,220	10,485
1974, \$1.495 per share		
Miscellaneous—net	—	259
REINVESTED EARNINGS AT END OF YEAR	<u>\$ 86,696</u>	<u>\$ 78,567</u>

statements of changes in financial position

	Thousands of Dollars	
	Year 1975	Year 1974
SOURCE OF FUNDS		
Operations		
Net Income	\$ 21,824	\$ 22,689
Add — Expenses not requiring funds:		
Depreciation	25,984	23,953
Deferred income taxes	9,115	8,519
Investment tax credits — net	3,646	1,048
Deduct — Income not providing funds:		
Interest charged construction	2,198	1,944
Total funds from operations	<u>58,371</u>	<u>54,265</u>
Financing		
Issuance of preferred shares	—	30,000
Issuance of long term debt	40,000	—
Total funds from financing	<u>40,000</u>	<u>30,000</u>
Other — net	181	(628)
	<u>\$ 98,552</u>	<u>\$ 83,637</u>
APPLICATION OF FUNDS		
Telephone plant	\$ 53,736	\$ 67,241
Dividends	13,695	11,606
Reduction of long term debt	119	147
Increase in working capital	31,002	4,643
	<u>\$ 98,552</u>	<u>\$ 83,637</u>
The increase in working capital is accounted for by:		
(Increase) decrease in current liabilities:		
Accounts payable	\$ 3,272	\$ (3,491)
Taxes accrued	1,166	(1,121)
Advance billing and customers' deposits	(335)	(188)
Interest accrued	(711)	7
Dividends payable	—	(864)
Debt maturing within one year	25,800	9,000
	<u>29,192</u>	<u>3,343</u>
Increase (decrease) in current assets:		
Cash	(27)	(97)
Receivables	1,453	1,147
Material and supplies	488	169
Prepaid expenses	(104)	81
	<u>1,810</u>	<u>1,300</u>
Increase in working capital	<u>\$ 31,002</u>	<u>\$ 4,643</u>

The notes on pages 17 and 18 are an integral part of the financial statements.

notes to financial statements

(a) **Accounting Policies** — The Company maintains its accounts in accordance with the Uniform System of Accounts prescribed for telephone companies by the Federal Communications Commission (the "FCC"). The financial statements reflect the application of the accounting policies described in this note and have been prepared in conformity with generally accepted accounting principles, which are consistent in all material respects with the accounting prescribed by the FCC. Other policies and practices are covered in note (c).

Interest Charged Construction — Regulatory authorities allow the Company to provide for a return on capital invested in new telephone plant while under construction by including Interest Charged Construction as an item of income during the construction period and also as an addition to the cost of the plant constructed. Such income is not realized in cash currently but, under the regulatory process, will be realized over the service life of the plant as the resulting higher depreciation expense is recovered in the form of increased revenues.

Depreciation — Provision in the accounts for depreciation (5.1% in 1975 and 5.2% in 1974 of the cost of depreciable plant in service) is based on straight-line composite rates. Depreciation for income tax purposes is provided on different bases and methods as explained under "Income Taxes" below.

Income Taxes:

(1) Under various accelerated depreciation provisions of the tax law, depreciation for income tax purposes on plant placed in service after 1969 is greater than the straight-line depreciation provided in the accounts. In addition, the Company has adopted for income tax purposes shorter depreciation lives than those used for book purposes for certain plant, as allowed in income tax regulations of the Treasury Department. Provision is included in income tax expense for the deferred income taxes resulting from the use of accelerated depreciation and shorter tax lives.

(2) The decrease in current operating Federal income taxes in 1975 results principally from a substantial increase in investment tax credits provided by the Tax Reduction Act of 1975.

(3) The Company's effective Federal income tax rate as determined from the Statements of Income (Federal income taxes divided by the sum of Federal income taxes and Net Income) was 40.2% in 1975 and 42.1% in 1974. The differences of 7.8% in 1975 and 5.9% in 1974 between these effective rates and the 48% Federal income tax statutory rate is attributable to the following factors:

	1975	1974
a. Certain taxes and payroll related construction costs capitalized for financial statement purposes but deducted for income tax purposes, net of related depreciation adjustments for current and prior years	3.4%	2.9%
b. Interest charged construction which is excluded from taxable income, net of related depreciation adjustments for current and prior years	2.5%	2.1%
c. Amortization of investment tax credits over the life of the plant which gave rise to the credits. Such amortization reduced income tax expense for the years 1975 and 1974 by about \$647,000 and \$488,000, respectively	1.8%	1.2%
d. Other miscellaneous differences between the calculations of taxable income and book income before taxes	.1%	(.3%)
Total	<u>7.8%</u>	<u>5.9%</u>

(b) **Preferred Shares** — The preferred shares have a stated value of \$1,000 each, an annual cumulative dividend of \$82.50 per share and may be redeemed at a premium of \$41.25 per share commencing July 1, 1979 and at diminishing amounts thereafter. They are also subject to redemption through the operation of a sinking fund commencing July 1, 1980.

(c) **Provisions For Pensions And Death Benefits** — The Company has a noncontributory plan covering all employees and providing for service pensions and certain death benefits. The Company has an accrual program under which actuarially determined regular payments

are made to trust funds that are irrevocably devoted to service pension and death benefit purposes. The total provision for these service pensions and death benefits, including amounts charged to construction, was \$11,677,000 and \$8,694,000 in 1975 and 1974, respectively. Amendments to the Plan, adopted pursuant to the 1974 union contract, provide for improved benefits for all employees and have increased pension accruals in 1975 by about \$1,824,000. Based on the latest actuarial valuation, adjusted to reflect those benefits which became effective January 1, 1976 (including changes to be made in compliance with the Employee Retirement Income Security Act of 1974), the Company estimates that the actuarially computed value of vested benefits exceeded the cost of trust fund assets by about \$10,300,000. The accrual program contemplates that there will be available in the funds amounts sufficient to provide benefits as stated in the Plan.

(d) **Long Term Debt** — Interest rates and maturities on long term debt outstanding at December 31, 1975, in thousands of dollars, were as follows:

4 1/2% debentures due 1993	\$ 25,000
4 3/8% debentures due 2002	20,000
8 3/8% debentures due 2009	35,000
7 3/8% debentures due 2011	50,000
9.60% debentures due 2015	40,000
2% mortgage notes	2,158
Other	41
	<u>\$172,199</u>

(e) **Debt Maturing Within One Year** — The Company follows the practice of financing construction of telephone plant partially through interim debt (notes payable and advances from American Telephone and Telegraph Company), pending long term financing. In the Company's computation of ratios of debt to total capitalization (usually referred to as "debt ratio") for regulatory and other purposes, interim debt is included with long term debt. Amounts outstanding at December 31, in thousands of dollars, are shown below:

	1975	1974
Notes Payable:		
Trust Note	\$ 2,000	\$ 2,000
Commercial Paper	1,300	11,200
Bank Loans	100	9,600
Advances from American Telephone and Telegraph Company	500	6,900
Total	<u>\$ 3,900</u>	<u>\$29,700</u>

Notes payable are due twelve months or less after issuance. The weighted average annual interest rates for the trust note, for commercial paper and for bank loans outstanding at December 31, 1975 were 5.6%, 5.3% and 7.3%, respectively. The maximum amount of notes payable at any month-end during the year 1975 was \$33,657,000 and the average amount outstanding during the year was approximately \$23,882,000 at an average interest rate of 7.0%, computed by averaging the face amount of the notes payable each day of the year and dividing such average into the aggregate related interest expense.

Advances, evidenced by demand notes, are not in practice required to be settled currently, although the Company may elect to repay them as a whole or in part prior to demand. Interest on advances is at a variable rate at all times equal to the lowest prime rate being charged on new borrowings by three designated New York City banks.

(f) **Lease Commitments** — Total rental expenses for the years ended December 31, 1975 and 1974, were about \$3,126,000 and \$2,895,000, respectively. At December 31, 1975 the aggregate minimum rental commitments under noncancelable leases, in thousands of dollars, were as follows:

Year	Amount
1976	\$1,658
1977	1,067
1978	639
1979	482
1980	466
1981-1985	2,129
1986-1990	68
1991-1995	43

(g) **Department Of Justice Antitrust Action** — In November 1974 the Department of Justice brought a civil antitrust action naming American Telephone and Telegraph Company, Western Electric Company, Incorporated and Bell Telephone Laboratories, Incorporated as defendants, and the 23 Bell System telephone companies (including the Company) as co-conspirators but not defendants. This matter may not be resolved for several years. The American Company has stated that it believes that the relief sought, which includes dismemberment of the Bell System, is adverse to the public interest and that it is confident that it has not been in violation of the antitrust laws and that the structure of the Bell System will remain basically unchanged. In the opinion of the Company, dismemberment of the Bell System could have adverse effects on its business.

directors

☐ CHARLES M. BARRETT, M.D.
President

The Western and Southern Life Insurance Company; Professor Emeritus, College of Medicine University of Cincinnati

ALBERT T. BONNICK
Vice President and Comptroller of the Company

☒ RICHARD T. DUGAN
President of the Company

☒ PHILIP O. GEIER, JR.
Retired; director of various corporations; former Chairman of the Board Cincinnati Milacron Inc. (manufacturer of process equipment and systems)

☒ DWIGHT H. HIBBARD
Vice President of the Company

☐ FRANCES JONES POETKER
Owner and Operator, Jones The Florist

☐ MORLEY P. THOMPSON
President D. H. Baldwin Company (financial services and manufacturer and retailer of musical instruments)

☐ DWIGHT J. THOMSON
Director and Special Assistant to the Chairman Champion International Corporation (manufacturer of lumber, plywood, paper and related products)

☒ RICHARD E. WAGNER
President Pepsi-Cola Bottling Company of Cincinnati

☒ WILLIAM J. WHITTAKER
Former President of the Company

☒ Members of the Executive Committee
Other directors serve as alternate members

☐ Members of the Audit Committee

☐ Members of the Pension Fund Advisory Committee

officers

RICHARD T. DUGAN
President

ROBERT H. ALLEN
Vice President - Secretary and Treasurer

ALBERT T. BONNICK
Vice President and Comptroller

DWIGHT H. HIBBARD
Vice President

WILLIAM W. VICTOR
Vice President

directors emeritus

PAUL W. CHRISTENSEN
Former Chairman of the Board The Cincinnati Gear Company

DAVID M. FORKER, JR.
Former Chairman of the Board The William Powell Company (manufacturer of valves)

JOSEPH B. HALL
Former Chairman of the Board The Kroger Company (chain food stores)

BAYARD L. KILGOUR, JR.
Former Chairman of the Board of the Company



Cincinnati Bell

Cincinnati Bell Inc.
225 E. 4th Street
Cincinnati, Ohio 45202